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Budget estimates for the biennium 2006-2007

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Administrator on the UNDP budget estimates for the biennium 2006-2007 (DP/2005/31). During its consideration of the item, the Advisory Committee met with the Associate Administrator and other representatives, who provided additional information and clarification.

Format and presentation

2. The Advisory Committee welcomes the changes in the presentation, including the submission of an organizational chart indicating the number of posts in each unit at headquarters and in the field (see annex 3, DP/2005/31), and of action taken to reflect implementation of the recommendations made by the Committee in its report on the support budget for 2004-2005 (DP/2003/29, paragraphs 2 and 3), as approved by the Executive Board (see annex 4, DP/2005/31).

3. **The Committee believes that there is room for further improvement in order to streamline the presentation, avoid repetition, and promote greater clarity and transparency. In addition, in future, better justification and rationale on proposals for new posts or reclassifications should be provided in the related narratives.**

4. It emerges from paragraph 85 of the budget document (DP/2005/31) that UNDP, in close collaboration with UNFPA and UNICEF, intends to present an aligned, results-based biennial support budget for 2008-2009.

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5. **The Committee recommends that the process of harmonization towards implementing results-based budgeting for the next biennium, 2008-2009, be given high priority and trusts that UNDP, UNFPA and UNICEF will take into account lessons learned by United Nations entities that have already implemented results-based budgeting. In addition, the existing knowledge of the United Nations Department of Management and the Department of Peacekeeping Operations could be utilized in drawing up such comprehensive framework. The submission of the budget estimates for 2008-2009 will provide an opportunity to improve the presentation.**

6. The Committee notes that the proposed support budget for 2006-2007 continues to consolidate the operational and programmatic reforms undertaken by UNDP, starting with the implementation of the 2002-2003 business plans and the 2004-2007 multi-year funding framework (MYFF). The budget proposals are guided by the four conceptual pillars of the MYFF listed in paragraph 38 of the budget document. Specifically, the strategic priorities to be supported in the budget are as follows:

(a) Strengthening UNDP leadership and central role in the United Nations development and resident coordinator system (the reform agenda of the Secretary-General being the prime driving force behind the proposed budget);

(b) Enhancing organizational capacity, efficiency, performance, accountability and results;

(c) Maximizing the use of available resources towards programme activities by cost containment and improving the proportionate share between regular and other resources of UNDP organizational capacities; and

(d) Commitment to support programme countries in achieving the Millennium Development Goals (MDGs) by strengthening advocacy and outreach (see also DP/2005/31, paragraph 8).

7. The Committee was informed that the 2006-2007 budget is presented in an overall financial context where both regular and other resources are steadily growing. Total income for UNDP and its associated funds and programmes – the United Nations Capital Development Fund (UNCDF), the United Nations Development Fund for Women (UNIFEM) and the United Nations Volunteers programme (UNV) – amounted to $4.1 billion in 2004. Regular resources grew for the fourth consecutive year, reaching $842 million in 2004 (a 9.4 per cent increase over the level achieved in 2003). Other resources reached almost $3 billion in 2004 (a 37 per cent increase over the level achieved in 2003). Exchange rate fluctuations also continued to have a positive effect in 2004, accounting for the two thirds of overall regular resources increase, with one third of the increase reflecting real growth.

8. The Committee notes from table 1 of the budget document (DP/2005/31) that regular resources are estimated to increase from $1 700 million in 2004-2005 to $1 900 million in 2006-2007, while contributions from other resources (donor co-financing) are estimated to increase from $1 807 million in 2004-2005 to $3 000 million for 2006-2007. The Committee also notes that other resources provided by host Governments (i.e., Government cost sharing) are likely to increase from $2 100 million in 2004-2005 to $2 600 million for

2006-2007. Thus, total overall contributions to UNDP are projected to increase from $5 607 million in 2004-2005 to $7 500 million for 2006-2007.

9. **The Committee trusts that UNDP will continue to accord priority attention to its fundraising activities so as to increase resources available for programmes.**

10. It is evident from table 1 of the report on the resource plan of UNDP (Use of resources – programme and support activities) that, for 2006-2007, the expenditure on programmes is projected to be 70.7 per cent of the total regular resources, as compared to 72.2 per cent for 2004-2005; the balance being spent on management and administration and programme support costs related to country offices and headquarters. In the case of other resources (donor co-financing), the expenditure on programmes for 2006-2007 is estimated to be 93.5 per cent, as compared to 92.3 per cent for 2004-2005.

11. **While the Committee notes that there has been some improvement in channelling more funds to programmes in 'other resources', it is of the opinion that further effort is needed to reduce expenditure on programme support and administration and management in respect of regular resources, so as to allocate more resources for programmes.**

12. The proposed budget for 2006-2007 further advances the process, initiated in the 2004-2005 budget, of rationalizing the funding modalities of UNDP operational structures to align them with a multi-funded approach. The process involves the identification of a base structure fully funded from regular resources and funding all other requirements proportionally from regular and other resources.

13. While the 2004-2005 budget introduced the base structure concept at headquarters and in country offices, the 2006-2007 budget further reviews the base structure of headquarters. Consequently, a total amount of $11.3 million related to operational costs is shifted from regular to other resources ($9.9 million relates to headquarters, the balance of $1.4 million being shifted to the country level) (paragraph 44, DP/2005/31).

14. The base structure for country offices is likely to be refined in 2006-2007 based on the outcome of discussions on strengthening country directors and also on funding modality for deputy special representatives of the Secretary-General. Therefore, the Administrator is recommending further refinement at headquarters and at the country level in the context of 2008-2009 budget proposals.

II. Biennial support budget for 2006-2007

15. As indicated in table 3 of document DP/2005/31, the proposed support budget for 2006-2007 amounts to $729 million gross, reflecting an increase of $95.4 million, as compared with support budget estimates for 2004-2005 of $633.6 million. After applying the projected income of $71.2 million to the gross appropriations, the net proposed support budget for 2006-2007 amounts to $657.8 million, reflecting an increase of $94.5 million. This compares to net support budget estimates for 2004-2005 of $563.3 million, based on a

projected income of $70.3 million to the support budget for the same period. The main areas of increase/decrease are shown in table 2 and summarized in paragraphs 35-37 of the budget document (DP/2005/31).

16. The Committee further notes that, with the exclusion of the support budget requirements for UNCDF – which have been mainstreamed into UNDP regular resources in accordance with the Executive Board decision 2005/5 (see paragraph 21 below) – the budget presented would have constituted zero net real growth. Cost increases, amounting to $86 million, are mainly due to inflationary factors compounded by the weakening of the United States dollar. As indicated in paragraph 20 of the budget document (DP/2005/31), total investments of approximately $16 million, principally at the country level, are funded from real reduction and funding redeployments. These are related to the priority areas for 2006-2007 mentioned in paragraph 4 above, as well as to initiatives embarked upon in 2004-2005 (see also paragraph 18, DP/2005/31).

17. As indicated in tables 4 and 5 of document DP/2005/31, the total number of proposed posts for 2006-2007 is 3 286 (640 international professional, 615 national professional and 2 034 general service and other categories of staff), taking into account the mainstreaming of 22 posts from UNCDF.

18. The proposed number of posts reflects a net reduction of 17 posts (an increase of 23 international professional offset by a decrease of two national professional and 38 general service and other categories of staff), as compared with the 3 306 approved posts for 2004-2005 (617 international professional, 617 national professional and 2 072 general service and other categories of staff).

19. For 2006-2007, 81.9 per cent of the total number of posts is proposed for country offices; 11.6 per cent for headquarters; 5.7 per cent for UNV; 0.7 per cent for UNCDF and 0.1 per cent for the Inter-Agency Procurement Services Office.

20. Information on proposed changes to regular budget post requirements and reclassifications is provided in summary table 4 of the budget document (DP/2005/31). The Committee has made comments in the past regarding the upward reclassification of posts of funds and programmes, particularly at the senior level. Upon enquiry, the Committee was informed that of the 22 posts reclassified in the context of the 2004-2005 regular support budget at the D-1 and D-2 levels, only four were filled by promotion. The Committee was provided with a consolidated list of 22 professional regular support budget posts proposed for reclassification for 2006-2007 (see annex 1, below).

21. The Committee notes that UNDP is proposing net upward reclassification of two senior-level international professional posts from the D-1 to the D-2 level in the Bureau for Development Policy (paragraph 70), and one net downward reclassification from the D-1 to the P-5 level. The Committee further notes that in line with the new job evaluation system in the common system for professional and higher categories, new factors have been introduced to reflect emerging organizational priorities (results, impact of work and client orientation). Jobs are no longer evaluated on the basis of processes and activities, but primarily by reference to their role within the organization and the specific value they add to its programmes.

22. **The Committee recommends that the Executive Board bear in mind the earlier recommendation of the Advisory Committee that proposals for upward reclassification of posts in funds and programmes of the United Nations, particularly at the D-1 and D-2 levels, should be submitted only as a result of significant changes in the level and scope of responsibilities involved.**

23. A list of the new international professional posts proposed for 2006-2007 was provided to the Committee (see annex 2, below).

24. **Although the Committee recognizes that the staffing component should be viewed in its totality, including the national staff component, the Committee is of the opinion that efforts should be made to hire qualified, skilled professional staff at the entry levels so as to ensure rejuvenation of the organization.**

25. An amount of $5.6 million is included in the support budget in order to strengthen the resident coordinator system. At the country level, UNDP is proposing to appoint country directors to run the day-to-day programmes, giving more freedom to the resident coordinator to play the significant role required in a number of UNDP offices (paragraphs 55 and 108, DP/2005/31).

26. At headquarters, the United Nations Development Group Office would be strengthened by increasing staffing by one international professional and one support staff (from 10 posts to 12), to be funded from regular resources (ibid, paragraph 105). The costs associated with this initiative amount to $57 million, covering the period from July 2005 to December 2007, as indicated by the Administrator in his letter to the Executive Board dated 8 February 2005.

27. However, the Committee notes that the Administrator has requested the support of donors to fund 40 country directors from extrabudgetary resources, while UNDP would fund seven of these posts from regular resources that were included in the 2006-2007 budget estimates ($4.5 million). The entire cost would be mainstreamed into the 2008-2009 budget.

28. Paragraph 112 indicates that agreement is being finalized to adopt a cost-sharing formula to be used by UNDP and the United Nations Department of Peacekeeping Operations in cases where the resident coordinator also acts as the Deputy Special Representative of the Secretary-General, and that full implementation may result in further cost implications. Upon enquiry, the Committee was informed that agreement had been reached on a 50/50 funding modality of such posts by both entities, and that the terms of reference were being drafted. A memorandum of understanding would be signed shortly.

29. The Committee notes that the integrated mission operation has not yet been achieved.

30. **The Committee trusts that UNDP and the Department of Peacekeeping Operations will enhance cooperation and coordination at the field level so as to avoid fragmented functionalities at the country level where peacekeeping missions operate. It is the opinion of the Committee that cooperation and coordination should also be effective and enhanced at the managerial and operational levels at headquarters.**

31. In line with the strategy for 2006-2007 outlined in paragraph 4 above, an amount of $4.0 million is proposed in order to strengthen advocacy and outreach activities at the country and regional levels in order to promote better understanding of the MDGs.

32. The Committee notes that the resources proposed in the budget document cover seven international regional advisors and related operating expenses (see paragraphs 59-60, DP/2005/31). As to the initiatives and further investments towards enhancing organizational capacity, efficiency, performance, accountability and results, the Committee notes the consolidation of capacity into regional centers, allowing better service to country offices. A provision of $2.2 million for a global payroll function should allow country offices to shift related functions and achieve efficiency gains (ibid, paragraph 86). Provision of $1.1 million is also included to reform and strengthen the internal justice and grievance system in UNDP (see paragraphs 18 and 81, DP/2005/31).

33. The support budget provides for further implementation of the core modules of Atlas, with additional modules to be phased in as part of the wave II rollout; additional investment of $1.9 million from regular resources over the base in information and communications technology budget is indicated in paragraph 18.

34. In that connection, the Committee notes that the resources for information and communications technology-related costs amount to $42.2 million for 2006-2007 (see table 8, DP/2005/31), including an amount of $1.9 million for systems development and engineering and $26 million for maintenance services, including maintenance of the services not yet replaced by Atlas.

35. **Given the fact that considerable expenditure has been incurred on state-of-the-art technology, the Committee expects to see tangible results in efficiency gains and savings related to both post and non-post resources.**

36. Table 12 of the budget document presents the consolidated security budget for UNDP for 2006-2007, which amounts to $55.7 million, reflecting an increase of $25.3 million compared to the appropriations approved for 2004-2005. These are broken up into three sections. first, the United Nations-mandated security costs, which amount to $41.2 million gross, emanating from the decisions contained in the relevant General Assembly resolutions regarding the UNDP share of United Nations security costs.

37. UNDP, in agreement with UNFPA, has decided to move these costs out of the budget and present them as a distinct requirement so as not to distort the budget with costs that are not necessarily operational in nature. However (as indicated in paragraph 137 of the budget document), in line with the gradual proportionality strategy, an estimated $10 million of the requirements will be covered by other resources funding, thus reflecting the balance of $31.2 million in a distinct line, as a separate requirement from regular resources outside the support budget.

38. Second, direct security costs – which continue to be an integral part of the support budget – amount to $14.4 million, reflecting an increase of $7.5 million over the 2004-2005 related resources, as shown in table 12 and

explained in paragraph 138 of the budget document (DP/2005/31). Third, the special security reserve, which included a provision of up to $11.5 million under the 2004-2005 budget, after the Baghdad attack, is to be discontinued for 2006-2007.

39. **In this connection, the Advisory Committee points to the comments on the need for integration, coordination, and rationalization of the security management system in order to avoid previous duplications of security structures (see the Advisory Committee report on the strengthened and unified security management system for the United Nations, A/59/539).**

III. The United Nations Capital Development Fund

40. As indicated in paragraph 10 above, the administrative costs of UNCDF have been mainstreamed into the UNDP biennial support budget for 2006-2007 and are reported therein, as called for in Executive Board decisions DP/2005/5 and DP/2005/22.

41. The support budget for UNCDF is built on these decisions and on the business plans for 2005-2007 (DP/2005/22). Information is provided in paragraphs 120-126 of the budget document (DP/2005/31). As indicated in paragraph 121, UNCDF undertook a change management process and revised its organizational structure and staffing arrangements in order to position itself adequately for delivering on its mandate.

42. Moreover, the 2004-2005 resource plan was revised to better reflect current levels of planned contributions and uses of programme resources for regular and other resources. Thus, planned contributions were reduced from $60 million to $35 million (42 per cent) and planned use of programme resources revised from $50 million to $30 million (40 per cent).

43. As shown in table 10, the UNCDF biennial support budget for 2006-2007 amounts to $10 million, compared to $14.4 million in 2004-2005. The total number of positions decreased from 32 posts to 22.

IV. The United Nations Development Fund for Women

44. The budget estimates of UNIFEM have been harmonized with those of UNDP, using the same terminology and methodology as that of the UNDP support budget. The resource plan is shown in table13 of the budget report.

45. The Committee notes that income projection for 2006-2007, for both regular and other resources, amount to $104.1 million compared to an income level of $83.3 million for 2004-2005. Regular resources, as shown in table 13, are projected to increase by 15 per cent compared to 2004-2005.

46. The proposed biennial support budget for UNIFEM for 2006-2007 amounts to $16.4 million, or 28.9 per cent of its income projection for regular resources for 2006-2007 of $56.8 million, funding 37 positions. It reflects an

increase of 10.1 per cent compared to the 2004-2005 support budget, which amounts to $14.9 million, or 30.2 percent of the income projected for regular resources of $49.4 million; funding 36 positions (see also summary tables 7 (a) and 7 (b), DP/2005/31).

47. It is evident from table 13 of the UNIFEM resource plan (Use of resources – programme and support activities) that expenditure on programmes for 2006-2007 is projected to be 72.6 per cent of the total regular resources, as compared to 73 per cent in 2004-2005; the balance being spent on management and administration and programme support costs. In the case of other resources, the expenditure for 2006-2007 is estimated to be 92 per cent on programmes, as compared to 90 per cent for 2004-2005.

48. **While the Committee notes that there has been some improvement in channelling more funds to programmes in other resources, it is of the opinion that more effort is needed to reduce expenditure on programme support and administration and management in respect of regular resources so as to increase resources available for programmes.**

Annex 1

UNDP regular support budget, 2006-2007 – overview of proposed reclassifications

#	Grade	Title
1	D-2	Director, HIV/AIDS practice group, UNDP/Bureau for Development Policy
2	D-2	Director, Poverty practice group, UNDP/Bureau for Development Policy
3	D-1	Deputy Director, Regional Centre, UNDP/Bangkok
4	D-1	Deputy Director, UNDP/Communications Office of the Administrator
5	D-1	Civil Society Director, UNDP/Bureau for Resources and Strategic Partnerships
6	P-5	Chief, Oversight and Support Centre, UNDP/Regional Bureau for Latin America and the Caribbean
7	P-5	Policy Advisor, UNDP/Bureau for Development Policy
8	P-5	Information Management Specialist, UNDP/Special Unit for South-South Cooperation
9	P-5	Production Services Advisor, UNDP/Bureau of Management
10	P-5	Chief, Information Technology and Systems, UNV/Bonn
11	P-5	Human Resources Advisor, UNV/Bonn
12	P-4	Deputy Resident Representative – Operations, UNDP/Rwanda
13	P-4	Programme Specialist, UNDP/Regional Bureau for Asia and the Pacific
14	P-4	Policy Specialist, UNDP/Bureau for Development Policy
15	P-4	Finance Specialist, UNDP/Bureau of Management
16	P-3	Administrative Specialist, UNDP/Evaluation Office
17	P-3	Policy Specialist, UNDP/Bureau of Management
18	P-3	Budget Specialist, UNDP/Bureau of Management
19	P-3	Budget Specialist, UNDP/Bureau of Management
20	P-2	Administrative Analyst, UNDP/Bureau for Crisis Prevention and Recovery
21	P-2	Programme Analyst, UNDP/Evaluation Office
22	P-2	Budget Analyst, UNDP/Bureau of Management

Annex 2

Proposed changes in regular resource post requirements 2006-2007 (international professional category and above)

Organizational unit		Description of new posts	Level	Post increase	Post decrease	Net increase/ (decrease)
A. Programme support						
1. Country office						
	UNDP Burundi	Country director	D-1	1	-	1
	UNDP Sierra Leone	Country director	D-1	1	-	1
	UNDP Sudan	Country director	D-1	1	-	1
	UNDP Afghanistan	Country director	D-2	1	-	1
	UNDP Timor-Leste	Country director	D-1	1	-	1
	UNDP Haiti	Country director	D-1	1	-	1
	UNDP Kosovo	Country director	D-1	1	-	1
	UNDP Peru	Deputy resident representative	P-5	-	(1)	(1)
	UNDP South Africa	Regional advisor on advocacy and outreach	P-4	1	-	1
	UNDP Senegal	Regional Advisor on advocacy and outreach	P-4	1	-	1
	UNDP Lebanon	Regional Advisor on advocacy and outreach	P-4	1	-	1
	UNDP Sri Lanka	Regional Advisor on advocacy and outreach	P-4	1	-	1
	UNDP Thailand	Regional Advisor on advocacy and outreach	P-4	1	-	1
	UNDP Panama	Regional Advisor on advocacy and outreach	P-4	1	-	1
	UNDP Bratislava	Regional Advisor on advocacy and outreach	P-4	1	-	1
	UNDP New York	Field security advisor (roving)	P-4	1	-	1
	UNDP New York	Field security advisor (roving)	P-4	1	-	1
Total programme support country offices (net)				**16**	**(1)**	**15**
2. Headquarters						
	Operations Support Group	Management advisor	P-5	-	(1)	(1)
	Bureau for Crisis Prevention and Recovery	Advisor	P-5	-	(1)	(1)
	Regional Bureau for Africa	Programme specialist	P-5	-	(1)	(1)
	Regional Bureau for Africa	Programme specialist	P-4	-	(1)	(1)
	Regional Bureau for Asia and the Pacific	Programme analyst	P-3	-	(1)	(1)
	Regional Bureau for Latin America and the Caribbean	Programme specialist	P-4	1	-	1
	Bureau for Development Policy	Policy advisor	D-1	-	(1)	(1)
	Bureau for Development Policy	Policy advisor	P-5	4	-	4
	Bureau for Development Policy	Policy advisor	P-4	-	(1)	(1)
	Bureau for Development Policy	Policy advisor	P-3	-	(5)	(5)
	Bureau for Development Policy	Policy advisor	P-2	1	-	1
Total programme support headquarters (net)				**6**	**(12)**	**(6)**
Total programme support				**22**	**(13)**	**9**

Organizational unit		Description of new posts	Level	Post increase	Post decrease	Net increase/ (decrease)
B. Management and administration						
	Office of the Administrator/Associate Administrator	Senior advisor, administration of justice	D-1	1	-	1
	Office of the Administrator/Associate Administrator	Legal office, administration of justice	P-4	1	-	1
	Communications Office of the Administrator	Communications analyst	P-2	-	(1)	(1)
	Bureau for Resources and Strategic Partnerships	Programme advisor	P-5	-	(1)	(1)
	Bureau for Resources and Strategic Partnerships	External relations specialist	P-4	-	(1)	(1)
	Bureau of Management	Director	D-1	-	(1)	(1)
	Bureau of Management	Planning advisor	P-5	-	(1)	(1)
	Bureau of Management	Systems advisor	P-4	-	(1)	(1)
	Bureau of Management	Systems specialist	P-3	-	(1)	(1)
	Bureau of Management	Contributions analyst	P-2	-	(1)	(1)
Total management and administration (net)				**2**	**(8)**	**(6)**
C. Support to operational activities of the United Nations						
	United Nations Development Group Office	Programme specialist	P-4	1	-	1
	United Nations Volunteers	Administrative specialist	P-2	-	(1)	(1)
Total support to operational activities of the United Nations (net)				**1**	**(1)**	**-**
D. United Nations Capital Development Fund (UNCDF)						
		Executive secretary	D-2	1	-	1
		Deputy executive secretary	D-1	1	-	1
		Director, microfinance	D-1	1	-	1
		Director, local development	D-1	1	-	1
		Advisors (business development)	P-5	1	-	1
		Advisors (programme)	P-5	3	-	3
		Advisors (operations division)	P-5	1	-	1
		Advisor (evaluation)	P-5	1	-	1
		Communications specialist	P-4	1	-	1
		Finance analyst	P-4	1	-	1
		Finance analyst	P-2	1	-	1
Total UNCDF (net)				**12**	**-**	**12**
Total post increase/(decrease)				**38**	**(22)**	**16**

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Annual review of the financial situation, 2004*

Report of the Administrator

Summary

UNDP continued to be a multi-funded organization receiving donor and local contributions from Member States. There was a consistent growth in resources contributions over the past five years, from $2.4 billion in 2000 to $4.0 billion in 2004. UNDP was able to maintain the upward trend in its regular resources for the fourth consecutive year, with regular resource contributions in 2004 amounting to $842 million (a 30 per cent increase) compared to $645 million in 2000. Donor contributions to regular and other resources registered a 36 per cent growth, rising from $2.1 billion in 2003 to $2.8 billion in 2004. Third-party co-financing contributions received from donors (donor cost-sharing, management services agreements (MSAs), trust funds and United Nations Volunteers – UNV) increased remarkably, by 55 per cent, from $1.2 billion in 2003 to $1.9 billion in 2004. Local resources provided by programme countries, which represent a significant portion of total income received (29 per cent), increased by 10 per cent, from $1.1 billion to $1.2 billion, reflecting continued political will and support for UNDP by partner countries. The present review includes financial overview of joint programming in a separate section. Contributions received in 2004 for joint programming activities totalled $632 million. Contributions for these funds are recorded as 'joint programming' (not as 'income') in the UNDP balance sheet.

The overall programme expenditure (including funds, $48 million) increased to $2.9 billion, representing a 15 per cent growth from $2.5 million in 2003.

Regular and other resources are not interchangeable. Regular resources constitute the bedrock of UNDP, the guarantee of its universality, neutrality and independence. Significant progress has been achieved towards securing an adequate and stable multilateral funding base. The interim target of $800 million set for 2004 in the second MYFF was met and even exceeded. And while the overall target of $1.1 billion set by the Executive Board for the MYFF appears within sight, and a number of donors have confirmed multi-year pledges with step increases toward the $1.1.target, there remains an approximately $170 million shortfall, based on current commitment levels, required to reach the Executive Board regular resource target. Continued efforts of Member States are required to increase their funding to UNDP regular resources that will ensure the critical mass of core funding. This is especially important in a context where the current upward trend in regular resources is particularly vulnerable to exchange rate fluctuations.

Elements of a decision

The Executive Board may wish to: (a) take note of documents DP/2005/33 and DP/2005/33/Add.1; (b) reiterate, as stated in its decision 2004/14, the encouragement that all Member States in a position to do so to increase regular resources funding so as to rebuild the regular resource base of UNDP; and (c) recognize that the predictability of funding is as important as the amount, since timeliness of contribution payments is essential to avoiding liquidity constraints.

* The compilation of data required to present the Executive Board with the most current information has delayed submission of the present document.

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Contents

		Paragraphs	*Page*
I.	Introduction	1	3
II.	UNDP overall	2-13	3
III.	Regular resources	14-24	8
	A. Income	15	8
	B. Expenditure	16-20	9
	C. Balance of unexpended resources	21-24	10
IV.	Other resources	25-45	11
	A. Local resources	27-30	12
	B. Other donor resources	31-33	13
	C. Joint programming	34	15
	D. United Nations Volunteers	35-38	15
	E. Management services agreements	39	16
	F. The Junior Professional Officer programme	40-42	17
	G. Reserve for field accommodation	43-45	17
V.	Funds administered by UNDP	46-55	18
	A. The United Nations Capital Development Fund	47-50	18
	B. The United Nations Development Fund for Women	51-55	19
Annex 1	UNDP overview		
	Table 13a. Statement of income and expenditure for the year ended 31 December 2004, with comparative figures for 2003		20
	Table 13b. Assets, liabilities and reserves and fund balances as of 31 December 2004, with comparative figures for 2003		21
Annex 2	Definitions		22

I. Introduction

1. The present report provides an overview of the financial position of UNDP at the end of 2004 and the comparative figures for the year 2003. The report contains analyses of the activities of UNDP at the aggregate level, followed in order by analyses of the financial situation of regular resources, other resources and the funds established by the General Assembly. An overview of the overall aggregates is shown in the annex to the present document. All tables in the narrative provide summary information of detailed data that can be found in the statistical addendum DP/2005/33/Add.1 to the present document.

II. UNDP overall

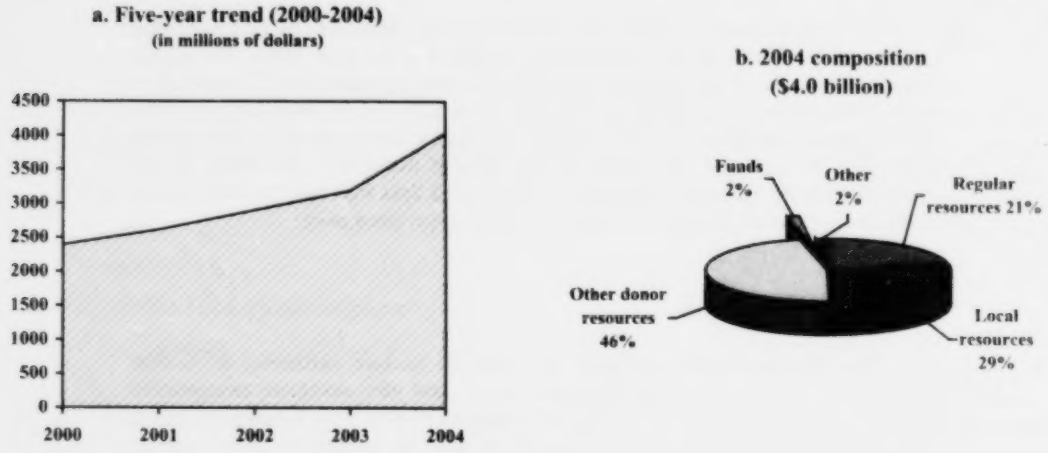
2. The present chapter presents the financial picture reflective of UNDP operational activities at the aggregate level and the resultant unexpended balances. In addition, table 1 of the addendum continues with a summary of all activities undertaken by UNDP. Although the data are broken down by type of activity, the figures have been aggregated to facilitate an overview of the overall financial position of UNDP.

3. UNDP received a total contribution, net of interest and other income, of $4.0 billion in 2004 (including regular resources, other resources and funds), the highest level ever, up by 27 per cent from the 2003 level of $3.2 billion. Regular resources income increased by 9 per cent (from $770 million in 2003 to $842 million in 2004), continuing the upward trend that began in 2001.

4. Other resources income rose by 33 per cent (from $2.3 billion in 2003 to $3.1 billion in 2004). Local resources (programme countries cost-sharing contributions) also increased by a rate of 10 per cent, from $1.1 billion in 2003 to $1.2 billion in 2004. Total donor resources (including regular donor and other donor resources, trust funds, UNV and MSAs) registered a growth of 36 per cent, rising to $2.8 billion in 2004. Other resources represented an important complement to the regular resource base of UNDP, permitting the strengthening of existing programmes and fostering partnerships with a range of actors, including the European Commission, regional development banks, the World Bank and the private sector.

5. The thematic trust fund (TTF) instrument, introduced in late 2001, was designed as a flexible, agile co-financing modality to support development work that cannot be funded from regular resources or from other multilateral or bilateral sources. Since 2001, the number of donors contributing to the seven thematic trust funds (democratic governance, poverty reduction, information and communication technology, energy for sustainable development and environment, HIV/AIDS, Gender and crisis prevention and recovery) has increased progressively – 8 donors in 2001, 10 donors in 2002, 21 donors in 2003 and 33 donors in 2004. Overall contributions also increased by 29 per cent (from $156.5 million in 2003 to $202.1 million in 2004).

Figure 1. Overall contributions: five-year trend and 2004 composition

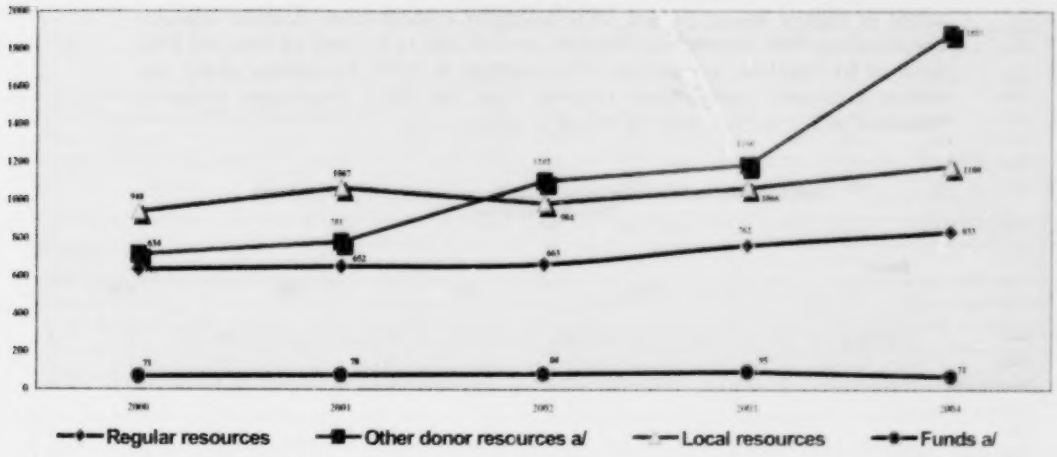


6. The MYFF has continued to provide the key framework for securing policy coherence in the country-driven demand climate of UNDP support, regardless of funding source. While overall contributions have reached $4.0 billion mark, other resources contributions have surpassed $3.1 billion, representing 77 per cent of total receipts in 2004. The highest increase in receipts for other resources was the increase in donor cost-sharing contributions, which was over 100 per cent.

7. Total contributions to the regular resources received during 2004, before the transfer to biennial support budget, increased by 9 per cent over the prior year, from $770 million to $842 million. As in the past, regular resources were received primarily from donor members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). Regular resources contributions received from OECD/DAC countries increased by 9 per cent from $752 million in 2003 to $823 million in 2004. It is encouraging that 10 OECD/DAC members increased their contribution to regular resources in 2004 in local currency terms, many for the fourth consecutive year, or resumed their contributions. Three donors increased by 10 per cent or more. These positive developments in the volume of contributions to regular resources reflect the strong political endorsement by donors of the UNDP reform process and the impact the organization is having in the development outcomes in the countries it serves. As the dollar continued to weaken against the Euro and other major currencies, exchange rate fluctuations continued to affect core income positively, accounting for more than two thirds of the increase in regular income in 2004. Percentage shares and contributions of the top 15 OECD/DAC donors for selected UNDP activities are shown in table 1.

Figure 2. Overall contributions[1]: five-year trend by type of resources

(in millions of dollars)



a/ In years 2000 and 2003, UNV is included under Funds. In 2004, other donor resources contain UNV.

Table 1. Top 15 OECD/DAC donors, ranked according to regular resources contributions in 2004 [a]

(in millions of dollars)

Donor	Regular resources	Trust funds, donor cost-sharing, UNV and MSAs	Funds
United States[b]	99	144	2
Norway	98	74	5
Netherlands	94	84	2
Japan	87	93	2
Sweden	85	74	13
United Kingdom	72	162	9
Denmark	60	28	5
Canada	48	51	6
Switzerland	41	17	1
Germany	33	25	1
France	20	10	3
Italy	18	65	2
Finland	17	12	2
Belgium	16	22	5
Ireland	16	11	1
Total of top 15 OECD/DAC donors	**804**	**872**	**59**
Total resources [1]	**833**	**1 881**	**71**
Percentage of total resources	**97%**	**46%**	**83%**

Source: Table 6 and 7, DP/2005/33/Add.1

a/ Ranked on the basis of regular resources contributions received in 2004.
b/ Prior to tax adjustments.

Note: The European Commission is a major source of other resources for UNDP, providing $244.9 million in 2004.

[1] Net contributions, after transfer to biennial support budget (GLOC).

8. Programme countries continued to participate in UNDP activities, mainly in terms of regular resources and local resources contributions. Regular resource contributions from programme countries have started to be restored from the 2002 level of $14 million, amounting to $19 million in 2004. Percentage shares and values of overall contributions received from the top 5 programme countries remained at $13 million mark as shown in table 2.

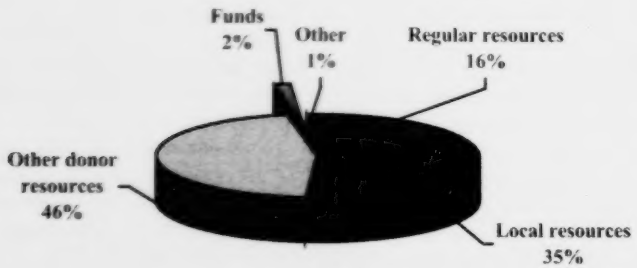
Table 2. Regular resources contributions of top five programme countries, 2001-2004
(in millions of dollars)

Donor	2004	2003	2002	2001
India	5	5	5	4
China	3	3	3	3
Saudi Arabia	2	2	2	2
Republic of Korea	2	1	-	2
Cuba	1	1	-	1
Total of top 5 donors	13	12	10	12
Total resources (net)	833	762	663	652
Percentage of total resources	2%	2%	2%	2%

Source: Table 6 and 8, DP/2005/33/Add.1

9. The aggregate programme expenditure (including funds, $48 million) increased to $2.9 billion, representing a 15 per cent growth from the previous year. Of the total 2004 expenditure, $2.4 billion (83 per cent) pertained to other resources, including funds, while 17 per cent ($483 million, inclusive of $14 million for the support to resident coordinator system) was financed from regular resources.

Figure 3. Overall programme expenditure, 2004



Total - $2.9 billion

10. In terms of regional coverage, 2004 had a similar distribution pattern in delivery (including programme support to the resident coordinator system) to that of 2003, as reflected in table 3 below.

Table 3. Regional distribution of programme expenditure, 2004-2003
(in millions of dollars)

	Regular resources				Other resources			
	2004	%	2003	%	2004	%	2003	%
Africa	188	39%	175	43%	214	9%	184	9%
Asia and the Pacific	131	27%	109	27%	558	23%	301	14%
Europe and the Commonwealth of Independent States	43	9%	30	7%	159	6%	146	7%
Arab States [a]	38	8%	29	7%	201	8%	268	13%
Latin America and the Caribbean	27	6%	21	5%	1 142	47%	1 054	50%
Others [b]	56	11%	40	11%	164	7%	141	7%
	483	100%	404	100%	2 438	100%	2 094	100%

[a] Includes PAPP.

[b] Includes global and interregional programme.

11. The percentage share for execution modalities breaks down as follows: national execution, the preferred modality, represents 60 per cent of the overall UNDP figure, followed by UNDP, 21 per cent, UNOPS, 10 per cent, and other agencies, including the 'big five', 7 per cent (see table 4). The growth of UNDP expenditure has been mainly in crisis countries, and this represents 70 per cent of the total UNDP delivery in 2004.

Table 4. Distribution of programme expenditure by execution modality: UNDP overall, 2004-2003
(in millions of dollars)

	Regular resources and other resources (excluding funds)			
Executing agency	2004	%	2003	%
National execution	1 750	60%	1 656	66%
UNOPS	277	10%	244	10%
"Big five" organizations [a]	78	3%	55	2%
Other agencies	111	4%	71	3%
UNDP	654	21%	440	18%
NGOs	51	2%	32	1%
Total	2 921	100%	2 498	100%

[a] DESA, FAO, ILO, UNESCO and UNIDO.

12. As of the end of 2004, the overall balance of unexpended resources was $2.7 billion. The balance of regular resources at the end of 2004, net of reserve for after-service health insurance, was $171 million. This represents 6 per cent of the overall balance. An accounting accrual of $27 million was made in 2004 for after-service health insurance benefits. The balance of other resources increased to $2.5 billion and its percentage share to the balance of all sources also increased to 90 per cent (87 per cent in 2003). While unexpended balances increased to $2.5 billion during 2004, the following should be noted: (a) total expenditure of other resources also was up by 15 per cent; and (b) 40 per cent ($1.2 billion) of the income received in 2004 was received in the last quarter of the year, hence not with sufficient time for programming and delivery to occur before the close of the financial year. The proportion of income received in the last quarter of 2004 was 22 per cent higher than that received in the last quarter of 2003. The balances of unexpended resources for the funds totalled $83 million ($68 million in 2003), representing 3 per cent of the overall balance.

13. In 2003, as part of the preparation for conversion from the integrated management information system to the Atlas system, UNDP performed an intensive review of transactions recorded in its multiple existing systems. As a result of that review, bad debt provision of $9.0 million was made after ensuring that in accordance with established procedures due diligence was performed that the adequate effort had been made to recover these amounts. OAPR conducted a full review and assessed that due diligence has been performed and compliance with the financial regulations and rules. In addition, $1.5 million was provided for depreciation of nonconvertible currencies. In 2004, the amount written off plus the adjustment for overvaluation of cash held in nonconvertible currencies totalled $2.7 million.

III. Regular resources

14. Activities funded by regular resources are shown in tables 5, 6 and 7. The present chapter first examines income and expenditure and then focuses on the balance of unexpended resources. Compared to 2003, total 2004 income, inclusive of interest income and other income, increased by 7 per cent to $882 million, and total 2004 expenditure increased by 12 per cent to $836 million. The available resource balance, exclusive of operational reserves, has increased to $171 million in 2004 (see table 5). If the reserves for after-service health insurance ($135 million in 2004 and $108 million in 2003) are taken into consideration, the increase in regular resource balance will be $44 million (17 per cent).

A. Income

15. Contributions to regular resources received during 2004, before the transfer to the biennial support budget (GLOC), totalled $842 million. Net contributions of $833 million were mobilized in regular resources (exclusive of interest and other income) in 2004, a growth of 9 per cent over the regular resource contributions recorded in 2003. The growth rate of contributions from the top 15 OECD/DAC donors was 11 per cent, from $727 million in 2003 to $805 million in 2004. Non-programme countries contributed 99 per cent of total regular resources income. Contributions from programme countries amounted to $19 million in 2004, the same level as of 2003.

Table 5. Income and expenditure for the years ended 31 December 2004 and 2003

(in millions of dollars)

	Regular resources		Change between 2004 and 2003 (percentage)
Income	2004	2003	%
Net contributions	833.4	762.4	9.3
Interest and other income	48.3	61.6	(21.6)
Total income	881.7	824.0	7.0
Expenditure			
Programme	468.9	398.0	17.8
Biennial support budget: net	280.9	252.2	11.4
Programme support to resident coordinator	13.6	6.4	-
Development support services and UNDP economist programme	15.4	9.0	71.1
Other expenditure	56.8	79.6	(28.6)
Total expenditure	835.6	745.2	12.0

Excess/shortfall of income over total expenditure	46.1	78.8	(41.5)
Transfer from (to) reserves and refunds to donors	(29.8)	(7.0)	-
Savings, refunds and other transfers	0.8	(1.3)	-
Balance of unexpended resources, 1 January	153.8		84.6
Balance of unexpended resources, 31 December	170.9	153.8	11.1
Operational reserve	154.0	142.0	8.4
Total months of expenditure [a]	4.9	4.8	

[a] This calculation represents the operational reserve plus balance of unexpended resources as a function of the average monthly expenditures of $70 million in 2004 and $62 million in 2003. The balance of $171 million in unexpended resources is equivalent to less than 3 months of expenditure.
Source: DP/2005/33/Add.1, table 1(a)

B. Expenditure

16. Total 2004 expenditure under regular resources increased by 12 per cent, to $836 million. The increasingly dynamic environment in which UNDP operates resulted in fluctuations within each major expenditure category. Programme expenditure, including programme support to the resident coordinator system, had increased by 19 per cent, from $404 million to $483 million (see table 5).

Biennial support budget

17. The net support budget expenditure of $281 million in 2004 was 11 per cent higher than the expenditure level of 2003 ($252 million). By appropriation group, 55 per cent of the expenditure was spent on programme support activities; 21 per cent on management and administration; and 23 per cent on support to the operational activities of the United Nations system. In total, 64 per cent of expenditure related to country offices, with the remaining 36 per cent attributed to headquarters locations, including UNV and IAPSO.

Other expenditure

18. In comparison with 2003, other expenditure has decreased by $23 million to $57 million in 2004. The decrease was mainly due to the fact that there were write-offs and miscellaneous provisions of $10.5 million in 2003, compared to $2.7 million in 2004.

19. An independent consulting actuary was engaged to carry out a valuation of post-retirement health insurance benefits as of 31 December 2003. On the basis of that study, the actuary estimated that as of 31 December 2003, the net liability for after-service health insurance benefits for all participants in UNDP was $341 million. This amount represents the present value, which is the discounted value of all benefits, less retirement contributions to be paid in the future to all current retirees and active employees expected to retire.

20. UNDP has made an accounting accrual of $27 million for the year ended 31 December 2004. This amount is over and above disbursements by UNDP for after-service health insurance, which are included as part of biennial support budget expenditure. The cumulative amount accrued as of 31 December 2004 is $135 million ($108 million at 31 December 2003). The actuarial valuation of the post-retirement health insurance benefits of UNDP and the United Nations Secretariat is carried out jointly. UNDP will carry out future valuations with the same frequency as the United Nations Secretariat.

C. Balance of unexpended resources

21. The availability of the balance of unexpended resources depends on the degree of liquidity of the net assets held. Cash and investments are the main liquid assets of UNDP. Other assets, net of liabilities, supplement investments to/from the balance of unexpended resources. Other assets include advances to country offices and to other United Nations organizations. On the liability side, unliquidated obligations and other payables represent expenditures that have been incurred but not yet disbursed.

22. At the end of 2004, UNDP held cash and investments for regular resources totalling $272 million, excluding the operational reserve. Based on total expenditure of $836 million during the year, the UNDP liquidity position at the end of 2004 represented working capital for approximately three months of expenditure. This represents a slight decrease in liquidity, primarily due to higher cash outflows on deliveries and the increase in the operational reserve level. A prudent level of liquidity for UNDP regular resources would be the equivalent of expenditure for three to six months, implying a total liquidity between $200 million and $400 million at current expenditure levels.

Table 6. Movement of liquid resources, 2004 and 2003
(in millions of dollars)

	2004	2003
Opening balance, 1 January		
Cash and investments	281.8	149.8
Income	881.7	824.0
Expenditure	(835.6)	(745.2)
Savings on obligations from prior biennium	0.8	-
Transfer from/to reserves and other transfers	(29.8)	(8.3)
Subtotal	17.1	70.5
Net change in advances made to Governments, executing agents and expenditures incurred but not yet disbursed	(27.1)	61.5
Closing balance, 31 December [a]		
Cash and investments	271.8	281.8

[a] This balance of liquid assets is additional to investments held for the operational reserve ($154 million in 2004, $142 million in 2003).
Source: DP/2005/33/Add.1, table 1(a, b).

23. The $171million balance of unexpended resources shown in table 7 represents the pool of resources available to finance UNDP activities funded by regular resources. At the current level of $171 million, that balance represents the equivalent of less than three months' expenditure for the organization.

Table 7. Movement in the balance of unexpended resources, 2004 and 2003
(in millions of dollars)

	2004	2003
Balance as at 1 January	153.8	83.3
Total income	881.7	824.0
Total expenditure (including support costs and other expenditure)	(835.6)	(745.2)
Savings on obligations from prior biennium	0.8	-
Transfer from/to reserves and other transfers	(29.8)	(8.3)
Balance as at 31 December	170.9	153.8

Source: DP/2005/33/Add.1, table 1(a)

24. In accordance with Executive Board decision 99/9, the formula for the calculation of the level of the UNDP regular resource operational reserve was amended on the basis of documents DP/1999/5/Rev.1 and DP/1999/CRP.9/Rev.1. Based on the estimated income and expenditure data for the year 2004, the operational reserve will be adjusted upwards to a new level of $169 million, from $154 million, and the resulting $15 million will be transferred from the general resources of UNDP.

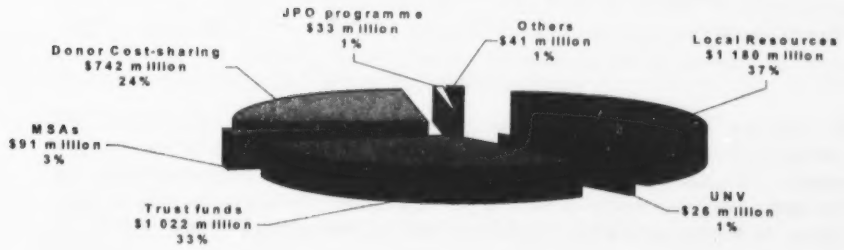
IV. Other resources

25. Components in the other resources category include local resources received from programme countries, donor cost-sharing, trust funds, UNV, management services agreements (MSAs), the Junior Professional Officers (JPO) programme and the reserve for field accommodation (RFA). Overall income of other resources increased by $752 million, from $2.5 billion in 2003 to $3.3 billion in 2004. Other resources contributions, net of interest and other income, received in 2004 totalled $3.1 billion, of which 38 per cent ñ $1.2 billion ñ accounted for local resources (46 per cent in 2003). Growth in contributions provided by OECD/DAC countries was 59 per cent, from $569 million in 2003 to $900 million in 2004. Overall expenditure of other resources also increased by 15 per cent ($345 million).

26. Recent trends have shown a significant increase in other resource contributions. Other donor resources (including donor cost-sharing, trust funds, UNV and MSAs) registered a marked increase of 58 per cent, from $1 188 million in 2003 to $1 881 million in 2004. The following analysis looks separately at each of the main components: local resources; other donor resources (donor cost-sharing, trust funds, UNV and MSAs); the JPO programme, and others.

Figure 4. Contribution/income ñ other resources, 2004

(in millions of dollars)



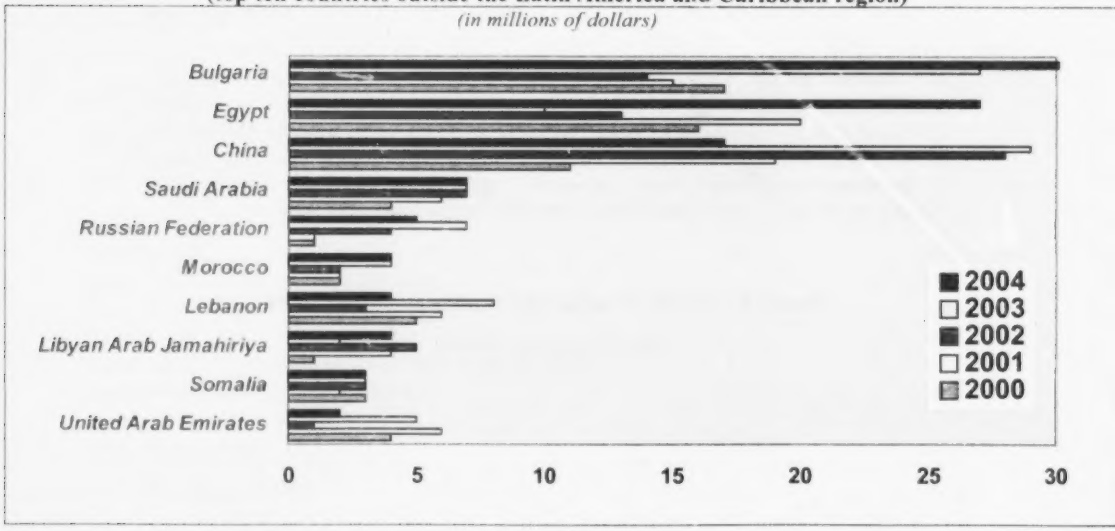
A. Local resources

Income

27. Contributions to local resources represented 37 per cent of total other resources income received in 2004. This pool of resources has increased by 10 per cent from $1 066 billion in 2003 to $1 180 billion in 2004. In recent years, countries from various regions other than Latin America and the Caribbean increased their participation in local resources. Among other countries, Egypt and Libyan Arab Jamahiriya recorded substantial growth in local resources contributions. The growth in Egypt was more than doubled, from $10 million in 2003 to $26 million in 2004. Libyan Arab Jamahiriya had an increase of 82 per cent, from $2 million in 2003 to nearly $4 million in 2004. Bulgaria also increased by 15 per cent in local resources contributions, from $27 million in 2003 to $31 million in 2004. China decreased its contributions by 41 per cent to $17 million, although its share of participation remained significant.

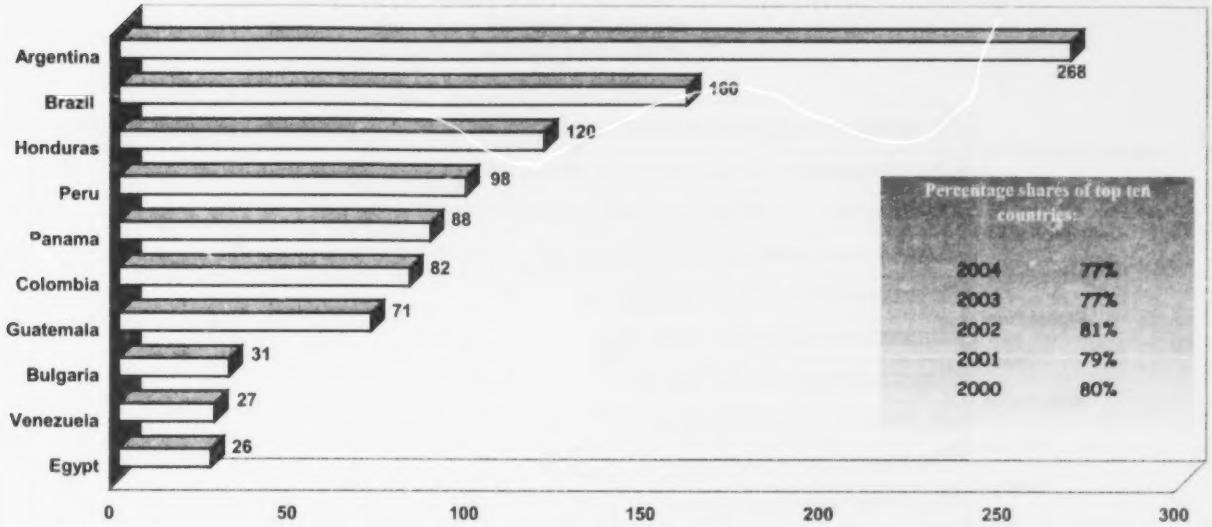
Figure 5. Local resources contributions 2000-2004
(top ten countries outside the Latin America and Caribbean region)

(in millions of dollars)



28. About 77 per cent of local resources contributions came from the Governments of 10 programme countries (see figure 6). Among the top ten countries, Argentina registers the highest increase in local resources of 68 per cent from $160 million to $268 million. Columbia showed a decline of $65 million, 44 per cent, from $147 million in 2003 to $82 million in 2004.

Figure 6. Local resources contributions, 2004
(top ten countries, all regions)
(in millions of dollars)



Expenditure

29. Total programme delivery in 2004 financed from local resources contributions was $1 038 million. Delivery in 2003 was $1 034 million. Countries from the Latin America and Caribbean region continued to register the major share in the delivery of both the local resources and the overall programme expenditure. In 2004, the Latin America and Caribbean region collectively represented over 31 per cent of total programme expenditure (42 per cent in 2003) and 88 per cent of total local resources expenditure (87 per cent in 2003). There was an increase in their regional delivery by 2 per cent, from $902 million in 2003 to $922 million in 2004. By country, Argentina registered a sharp increase of over 69 per cent (from $134 million in 2003 to $226 million in 2004), while the Dominican Republic, Ecuador, Guatemala, Uruguay and Venezuela likewise had two-digit increases in their expenditures. Bolivia had a decrease of 70 per cent (from $38 million in 2003 to $11 million in 2004).

30. It is noteworthy that seven countries outside the Latin America and Caribbean region recorded significant deliveries in local resources: Egypt – $22 million; Bulgaria – $21 million; China – $19 million; the Russian Federation – $6 million; Saudi Arabia – $5 million; Lebanon – $4 million; and Turkey – $4 million. Turkey had doubled its delivery from $2 million to $4 million.

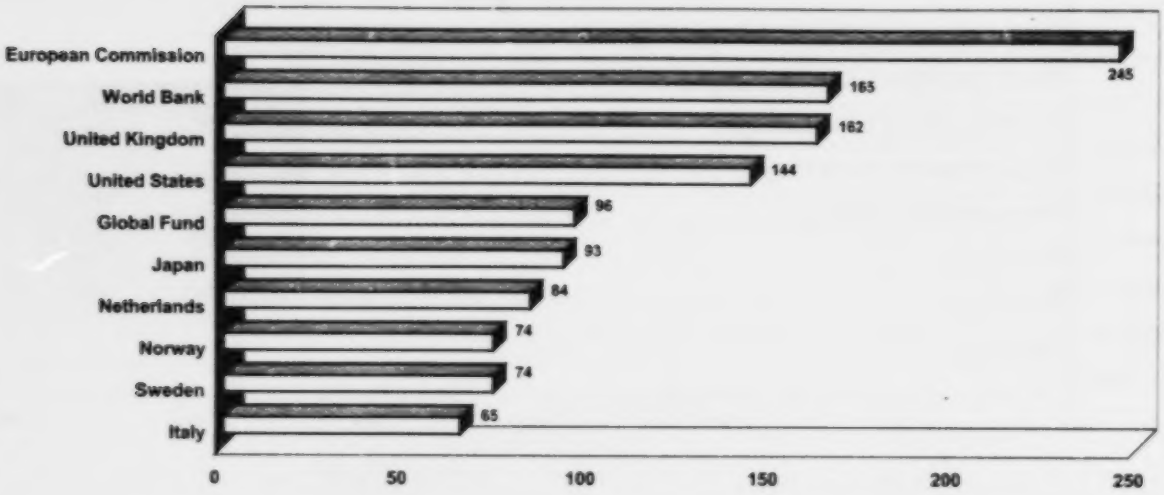
B. Other donor resources

Income

31. Continuing their growth trend, other donor resources, including donor cost-sharing, trust funds, UNV and MSAs, recorded growth of 55 per cent, from $1.2 billion to $1.9 billion in 2004. This pool of resources represented 47 per cent

of the total resources mobilized by UNDP in 2004. Figure 7 represents the top 10 donors that contributed to other donor resources in 2004.

Figure 7. Other donor resources contributions, 2004
(top ten participants)
(in millions of dollars)



Expenditure

32. Total other donor resources expenditure increased by 31 per cent from $1 038 million in 2003 to $1 358 million in 2004, mainly resulting from a 68 per cent growth in donor cost-sharing expenditure, from $304 million to $511 million. Trust funds expenditure also increased by 22 per cent, from $601 million in 2003 to $731 million in 2004. Income and expenditure by category under other donor resources are shown in table 8.

Table 8. Income and expenditure by category – other donor resources
(in millions of dollars)

	Donor cost-sharing	Trust funds	UNV	MSAs	Total
Income					
Contributions	742.3	1 021.7	26.1	91.3	1 881.4
Interest and other income	7.6	12.9	11.9	1.0	33.4
Total income	749.9	1 034.6	38.0	92.3	1 914.8
Expenditure					
Programme	510.5	730.8	20.3	95.5	1 357.1
Programme support	-	-	1.0	-	1.0
Total expenditure	510.5	730.8	21.3	95.5	1 358.1
Excess (shortfall) of income over expenditure	239.4	303.8	16.7	(3.2)	556.7

33. As a region, Africa registered a 33 per cent increase in delivery, from $147 million in 2003 to $196 million in 2004. Delivery in Asia and the Pacific, highest increase among regions, has doubled, from $245 million in 2003 to $519 million in 2004. Europe and the Commonwealth of Independent States region showed 8 per cent growth with a delivery of $108 million (against

$100 million in 2003). Latin America and the Caribbean region and the Arab States experienced decreases of 8 per cent and 27 per cent, respectively. The decrease in Arab States was due to the expiration, in November 2003, of the programme in Iraq that had been funded by the United Nations Oil-for-Food programme. In fact, other donor resources expenditures in the Arab States, exclusive of Iraq, increased slightly from 2003 to 2004.

C. Joint programming

34. In joint programming, two or more United Nations organizations and national partners work together to prepare, implement, monitor and evaluate programme activities. Contributions received under joint programming funds are not recorded as UNDP income. They are recorded under 'joint programming' in the balance sheet. In 2004, 20 donors had contributed $632 million (20 per cent of other resources) towards joint programming activities in Iraq and Sudan. Total transfers from the United Nations Development Group Iraq Trust Fund to participating United Nations organizations for activities in Iraq amounted to $494 million. Table 9 provides an overview of contributions made by donors, transfers to the participating United Nations organizations, and expenses incurred in connection with joint programming activities.

Table 9. Status of joint programming funds - 2004

(in millions of dollars)

Contributions			Transfers to United Nations organizations and total expenses		
Beneficiary country	Donor	Amount	Beneficiary country	Organization	Amount
Iraq	Japan	361	Iraq	UNDP	176
	European Commission	102		UNOPS	70
	United Kingdom	56		WHO	61
	Canada	38		UNICEF	56
	Italy	13		FAO	36
	Netherlands	7		UNCHS	31
	Sweden	7		UNEP	16
	United States	5		UNESCO	15
	Others	40		Others	33
Sudan	Sweden	3	Sudan	-	-
			Total expenses (AA fees and direct cost)		6
Total contributions		632	Total transfers and expenses		500
Balance of fund					132

Note: During the period of January to June 2005, contributions received from donors were $30 million; transfers to participating United Nations organizations and total expenses were $72 million and $0.5 million respectively; thus, the fund balance as at 30 June 2005 was $89 million.

D. United Nations Volunteers

35. In 2004, there were 7,300 United Nations volunteers – representing 163 nationalities – carrying out 7,772 assignments in 139 countries. The total financial magnitude of all activities amounted to $146.7 million. Of this, some 12 per cent was covered from contributions that were made to UNV directly (Special Voluntary Fund, cost sharing, trust funds and full funding arrangements).

The remaining 88 per cent was covered by direct charges to programmes of the United Nations and other United Nations agencies, funds and programmes, including UNDP.

Table 10. Contributions and programme expenditure, 2004-2003
(in millions of dollars)

	Contributions[1/]		Programme Expenditure[2/]	
Source of fund	2004 [3/]	2003	2004	2003
Special Voluntary Fund	5.6	4.6	6.2	7.4
Cost sharing	1.3	1.4	1.8	1.5
Trust funds	5.0	4.2	4.3	4.5
Fully funded arrangements	10.8	4.9	5.4	5.1
Total	22.7	15.1	17.7	18.5

[1/] Excludes resources relating to activities financed directly by the United Nations and by other United Nations agencies, funds and programmes, including UNDP ($125.7 million).
[2/] Excludes financial equivalent of UNV activities financed directly by United Nations and by other United Nations agencies, funds and programmes, including UNDP ($129.0 million).
[3/] Figures include adjustments and out-of-book entries not included in the financial statements.

36. Income relating to the Special Voluntary Fund, cost-sharing, trust funds and full funding, in 2004 was $22.7 million, an increase of $7.6 million compared to $15.1 million in 2003. However, part of the income for full funding in 2004 ($3.0 million) was related to 2003.

37. Total programme expenditure in 2004 was $17.7 million. Although there was a decrease in expenditure of $0.8 million compared to 2003 ($18.5 million), the Special Voluntary Fund expenditure for 2003 included external costs of $1.7 million. Excluding the latter amount from the 2003 expenditures, there was a total increase of approximately $0.9 million (5.4 per cent) in 2004, mainly attributable to Special Voluntary Fund, cost sharing and full funding.

38. Opening balance of the reserve as at 1 January 2004 was $1.2 million. In 2004, the reserve was replenished with $0.2 million from provisions made in the pro forma cost of volunteers. Disbursements from the reserve in 2004 were $0.2 million for medical evacuation purposes and $0.2 million for security evacuation purposes. Balance as at 31 December 2004 was therefore $1.0 million. The Administrator believes that maintaining the current balance is fully justified in view of the fact that costs in respect of field and inter-agency security measures are projected to increase.

E. Management services agreements

39. In 2004, donors contributed $91 million towards MSA activities, up by $11 million from $80 million in 2003. Total income available for programme activity under MSAs in 2004, including interest income, amounted to $92 million, up by 12 per cent compared to $82 million in 2003. Table 11 shows the distribution by region of MSA expenditures for 2004 and 2003.

Table 11. MSA expenditure by region, 2004-2003
(in millions of dollars)

Region	2004	2003
Latin America and the Caribbean	74.9	37.1
Africa	6.7	30.2
Europe and the Commonwealth of Independent States	5.0	16.4
Arab States	0.8	0.4
Asia and the Pacific	3.1	22.0
Global and interregional	5.0	4.6
Total	95.5	110.7

Source: UNOPS

F. The Junior Professional Officer programme

40. A total of 21 governments and one inter-governmental organization have valid agreements with UNDP for the provision of junior professional officers (JPOs). All the member states but one actively sponsored JPOs during 2004. As of 31 December 2004, UNDP administered 260 JPOs and five special assistants to the resident coordinator (SARCs) compared to 289 JPOS and 6 SARCs as at 31 December 2003. The combined number of JPOs and SARCs working with UNDP and affiliated agencies as of 31 December 2004 was 208, compared to 236 on 31 December 2003. 29 of these UNDP JPOs or SARCs served in New York and other headquarters locations, the same percentage as in 2003 (13.9 per cent). The numbers of JPOs administered on behalf of UNFPA and UNOPS were 47 and 8 respectively.

41. UNDP received a total of $32.9 million in contributions to the JPO programme in 2004, a slight increase over the amount received in 2003 ($32.5 million).

42. The total expenditure, including support costs, incurred during 2004 was $29.8 million. This reflected an overall increase of 8 per cent compared to $27.7 million in 2003. Total support cost of $3.2 million was generated in 2004, an increase of 10 per cent compared to $2.9 million in 2003 and $2.6 million in 2002. The resource balance available at the end of 2004 was $12.7 million, an increase of 32 per cent from $9.6 million in 2003 ($3.6 million in 2002).

G. Reserve for field accommodation

Table12. Income and expenditure, 2004-2003
(in millions of dollars)

	2004	2003	Percentage change
Income			
Rental income	0.8	1.0	(20.0)
Other income-net	0.1	0.1	-
Total income	0.9	1.1	(18.2)
Expenditure			
Repairs and maintenance	0.4	0.6	(33.3)
Total expenditure	0.4	0.6	(33.3)
Operating surplus	0.5	0.5	-
Cumulative surplus (deficit), 1 January	(3.0)	(3.5)	14.3
Cumulative deficit, 31 December	(2.5)	(3.0)	16.7

Source: DP/2005/33/Add.1, table 12

43. In line with Executive Board decision 96/40 of September 1996, which mandated that wherever possible UNDP should dispose of housing properties, UNDP continues to identify such assets for disposal. However, none were disposed of in 2004 as a result of unfavourable real estate market conditions; in addition, the buildings of the countries under review are situated on government properties.

44. The aggregate summary of the RFA accounts is shown in table 12. Table 12 of the addendum (DP/2005/33/Add.1) shows the RFA financial statements. The total housing assets as at 31 December 2004 were $16.3 million, no change from 2003. The figure for office premises building assets as at 31 December 2004 also had no change from 2003 – $26.6 million. The net amount due to UNDP regular resources decreased from $10.3 million in 2003 to $7.4 million in 2004. This was because the cumulative deficit in reserve had decreased from minus $4.2 million to minus $3.8 million and there was a continued recovery in the values of assets such as construction costs.

45. The initial provision for asset write-down of $14.1 million was set up in 1996-1997 on the basis of management's best estimate of RFA assets impairment as at 31 December 1997. With the disposal through sale of some of the properties over the years and consequent charges to the provision, the balance as at 31 December 2004 was $9.7 million. Available information indicates that the balance may be adjusted subsequent to review and analysis of financial data and appraisal of property to be undertaken to ascertain the current values of assets.

V. Funds administered by UNDP

46. Table 5(a) in the addendum to the present report (DP/2005/33/Add.1) provides detailed data for the two funds administered by UNDP. The results of activities undertaken in 2004 are outlined in this section.

A. The United Nations Capital Development Fund

47. Total contributions for United Nations Capital Development Fund (UNCDF) regular resources decreased by $9.7 million, or 36 per cent, bringing the total amount received in 2004 to $17.2 million from $26.9 million in 2003. Contributions to other resources were $6.3 million in 2004, down from $10.7 million in 2003 but almost double the amount of $ 3.4 million received in 2002.

48. In 2004, the mandate of UNCDF as a United Nations fund for investing in least developed countries (LDCs) was strongly reconfirmed in the wake of an external independent impact assessment. At the same time, the independent impact assessment concluded that there was a need for a change of business model in view of changing international trends in official development assistance. Based on a systematic review of possible options for the future business model of UNCDF, the Executive Board agreed, in its decision 2005/05, to maintain an independent UNCDF financially closely integrated into UNDP. Based on this decision, a new business plan for UNCDF (DP/2005/22) was prepared, reflecting also the mainstreaming of the UNCDF biennial budget from 2006/07 onwards into the biennial budget of UNDP.

49. In 2004, overall expenditure increased with almost $5 million, from $22.9 million in 2003 to $27.6 million in 2004. Expenditure against regular resources increased to $19.7 million, from $17.0 million in 2003. Other resources

expenditures increased by $1 million, from $5.9 million in 2003 to $6.6 million in 2004.

50. Unexpended resources at the end of 2004 totalled $48 million, including an operational reserve of $22.6 million.

B. The United Nations Development Fund for Women

51. In its decision 2004/10, the Executive Board approved the multi-year funding framework (MYFF) of the United Nations Development Fund for Women (UNIFEM) for the period 2004-2007. The MYFF highlights key results to be achieved to enhance development effectiveness, organizational effectiveness, and the resource base required for implementation. It positions UNIFEM to fulfil its mandate to support countries in achieving gender equality in the context of United Nations reform, the Millennium Development Goals, and changing modalities related to aid effectiveness.

52. Total contributions to UNIFEM increased significantly by $15.2 million, or 44 per cent, from $34.0 million in 2003 to $49.2 million in 2004. Regular resources contributions increased from $21.7 million to $23.2 million. Cost-snaring and trust funds contributions have increased by 110 per cent, from $12.3 million in 2003 to $25.9 million in 2004.

53. Overall programme expenditure, including support costs paid to implementing agents, decreased by $1.4 million, or 5 per cent, from $27.0 million in 2003 to $25.6 million in 2004. Regular resources programme expenditure decreased by $3.6 million, or 24 per cent, from $15.3 million in 2003, to $11.7 million in 2004, due mainly to uncertainties in the forthcoming amount of core support. The delivery of cost sharing and sub-trust funds registered a $2.2 million increase, or 19 per cent, from $11.7 million in 2003 to $13.9 million in 2004.

54. Unexpended resources at 31 December 2004 totalled $42.9 million, an increase of $17.8 million over the $25.1 million total at 31 December 2003. These resources cover the unspent project budgets of $33.4 million for 2005 and future years. The level of the operational reserve was reviewed, in accordance with Executive Board decision 97/4 of January 1997, and was increased by $0.8 million to leave a balance of $8.9 million at the end of 2004.

55. Moving forward, UNIFEM continues to align its programming, structure and business processes in order to enhance its effectiveness, capacity, and efficiency to achieve anticipated results. The UNIFEM Consultative Committee at its 44th Session encouraged current and future donors to devote a greater share of their contributions to UNIFEM regular resources and make commitments to multi-year funding so as to permit the organization to deliver on its MYFF.

Annex 1
UNDP overview

Table 13a. Statement of income and expenditure for the year ended 31 December 2004, with comparative figures for 2003
(in thousands of dollars)

	Regular resources			Other resources			Funds			Total		
	2004	2003	+/-	2004	2003	+/-	2004	2003	+/-	2004	2003	+/-
Income												
Contributions	842 148	769 883	9%	3 134 746	2 354 686	33%	71 411	71 659	-	4 048 305	3 196 228	27%
Transfer to biennial support budget	(8 751)	(7 472)	17%	-	-	-	-	-	-	(8 751)	(7 472)	17%
Net contributions	833 397	762 411	9%	3 134 746	2 354 686	33%	71 411	71 659	-	4 039 554	3 188 756	27%
Interest income	16 402	24 110	(32%)	35 054	20 152	74%	1 508	1 263	19%	52 964	45 525	16%
Other income: net	31 884	37 470	(15%)	109 860	152 828	(28%)	5 147	3 923	31%	146 891	194 221	(24%)
Total income	881 683	823 991	7%	3 279 660	2 527 666	30%	78 066	76 845	2%	4 239 409	3 428 502	24%
Expenditure												
Programme	468 952	378 052	24%	2 426 389	2 101 694	15%	48 428	47 812	1%	2 943 769	2 527 558	16%
Programme support – implementing agents	-	19 862	-	4 190	7 232	(42%)	-	-	-	4 190	27 094	(85%)
Programme support to resident coordinator	13 599	6 427	-	6 889	10 182	(32%)	-	275	-	20 488	16 884	21%
Development support services	4 574	4 540	1%	2 184	-	-	-	-	-	6 758	4 540	49%
UNDP economist programme	10 802	4 427	-	-	-	-	-	-	-	10 802	4 427	-
Biennial support budget: net[a]	280 920	252 211	11%	227 942	201 407	13%	13 570	15 547	(13%)	522 432	469 165	11%
Other expenditure	56 793	79 644	(29%)	984	3 561	(72%)	157	256	(39%)	57 934	83 461	(31%)
Total expenditure	835 640	745 163	12%	2 668 578	2 324 076	15%	62 155	63 890	(3%)	3 566 373	3 133 129	14%
Excess (shortfall) of income over expenditure	46 043	78 828	(42%)	611 082	203 590	-	15 911	12 955	23%	673 036	295 373	-
Savings on obligations of prior biennium	821	19	-	1 254	69	-	-	52	-	2 075	140	-
Transfers from (to) reserves	(12 000)	(7 015)	71%	(4 000)	(2 040)	96%	(800)	10 400	-	(16 800)	1 345	-
Refunds to donors and transfers from (to) other funds	(17 815)	(1 368)	-	(26 084)	(38 219)	(32%)	(42)	(4 379)	(99%)	(43 941)	(43 966)	-
Balance of unexpended resources, 1 January	153 812	83 348	85%	1 892 440	1 729 040	9%	68 195	49 167	39%	2 114 447	1 861 555	14%
Balance of unexpended resources, 31 December	**170 861**	**153 812**	**11%**	**2 474 692**	**1 892 440**	**31%**	**83 264**	**68 195**	**22%**	**2 728 817**	**2 114 447**	**29%**

Source: Table 1(a), DP/2005/33/Add.1

[a] Includes country office administrative charge

Table 13b. Assets, liabilities and reserves and fund balances as of 31 December 2004, with comparative figures for 2003

(in thousands of dollars)

	Regular resources			Other resources			Funds			Total		
	2004	2003	+/-	2004	2003	+/-	2004	2003	+/-	2004	2003	+/-
Assets												
Cash	1 138	-	-	37 887	36 820	3%	(2 683)	480	-	36 342	37 300	(3%)
Government letters of credit	-	-	-	160 551	105 517	52%	-	-	-	160 551	105 517	52%
Investments held for												
Operational reserve	130 000	142 000	(8%)	-	-	-	-	-	-	130 000	142 000	(8%)
Regular resources	271 754	281 817	(4%)	226 541	248 856	(9%)	95 778	72 773	32%	594 073	603 446	(2%)
Other	2 272 192	1 601 520	42%	-	-	-	-	-	-	2 272 192	1 601 520	42%
Subtotal investments	2 673 946	2 025 337	32%	226 541	248 856	(9%)	95 778	72 773	32%	2 996 265	2 346 966	28%
Total cash, letters of credit and investments	2 675 084	2 025 337	32%	424 979	391 193	9%	93 095	73 253	27%	3 193 158	2 489 783	28%
Advances from governments and executing agencies	60 547	89 538	(32%)	182 805	172 094	6%	396	997	(60%)	243 748	262 629	(7%)
Accounts receivable and deferred charges	128 404	121 548	6%	2 205 971	1 704 235	29%	29 123	33 709	(14%)	2 363 498	1 859 492	27%
Accrued interest	12 202	12 923	(6%)	11 383	11 361	-	664	716	(7%)	24 249	25 000	(3%)
Long-term accounts receivable	-	-	-	437	608	(28%)	-	-	-	437	608	(28%)
Special capitalized assets	1 570	1 570	-	34 254	34 301	-	-	-	-	35 824	35 871	-
Loans to governments	-	-	-	806	806	-	-	105	-	806	911	(12%)
Total assets	2 877 807	2 250 916	28%	2 860 635	2 314 598	24%	123 278	108 780	13%	5 861 720	4 674 294	25%
Liabilities												
Advances to governments and executing agencies	5 580	15 508	(64%)	58 882	67 793	(13%)	1 723	2 711	(36%)	66 185	86 102	(23%)
Unliquidated obligations	50 982	34 037	50%	102 216	96 301	6%	911	7 088	(87%)	154 109	137 426	12%
Accounts payable	134 138	89 791	49%	50 462	91 782	(45%)	5 880	88	-	190 480	181 661	5%
Due to other resources	2 176 690	1 650 470	32%	60 811	64 434	(6%)	-	-	-	2 237 501	1 714 904	30%
Other liabilities	183 986	163 728	12%	13 572	5 848	-	-	-	-	197 558	169 576	17%
Total liabilities	2 551 376	1 953 534	31%	285 943	326 158	(12%)	8 514	9 887	(14%)	2 845 833	2 289 579	24%
Reserves and fund balances												
Operational reserve	154 000	142 000	8%	72 000	68 000	6%	31 500	30 700	3%	257 500	240 700	7%
Endowment fund	-	-	-	3 000	3 000	-	-	-	-	3 000	3 000	-
RFA authorized level	-	-	-	25 000	25 000	-	-	-	-	25 000	25 000	-
Special capital resources	1 570	1 570	-	-	-	-	-	-	-	1 570	1 570	-
Balance of unexpended resources	170 861	153 812	11%	2 474 688	1 892 440	31%	83 264	68 193	22%	2 728 813	2 114 445	29%
Balance of unexpended resources and special capital resources	172 431	155 382	11%	2 474 688	1 892 440	31%	83 264	68 193	22%	2 730 383	2 116 015	29%
Total reserves and balance of unexpended resources	326 431	297 382	10%	2 574 688	1 988 440	29%	114 764	98 893	16%	3 015 882	2 384 715	26%

Annex 2

Definitions

Regular resources: the resources of UNDP that are commingled and untied. These include pledges of voluntary contributions, contributions from governmental, intergovernmental or non-governmental sources and related interest earnings, and miscellaneous income.

Other resources: the resources of UNDP, other than regular resources, that are received for a specific programme purpose, consistent with the policies, aims and activities of UNDP and for the provision of management and other support services to third parties. Under this category fall cost sharing and trust funds established by the Administrator. For presentation purposes, UNV, MSAs, the reimbursable support services and other activities (the JPO programme and the RFA, among others) are included in the other resources grouping.

UNDP resources: the resources credited to the UNDP regular resources account or other resources account and, therefore, exclude resources credited to the UNDP funds account.

Biennial support budget: the budget of an organization covering programme support and management and administration of the organization.

Funds administered by UNDP: funds established by the General Assembly and administered by UNDP.

Programme support: expenditure incurred by organizational units (country offices and headquarters) whose primary functions are the development, formulation, delivery and evaluation of the programmes of the organization.

Donor resources: regular resources and other donor resources, received from all donors (other than local resources received from programme countries), including donor cost sharing, trust funds, UNV and management services agreements.

Local resources: other resources received from programme countries.

Member states: development partners, including donors and programme countries that participate in the UNDP programme.

Government contributions to local office cost (GLOC): contributions in the form of cash, or by provision in kind of specific goods, services and facilities that the host Government makes towards the expenses of maintaining the UNDP country office.

Joint programming: the collective effort through which the United Nations organizations and national partners work together to prepare, implement, monitor and evaluate the activities aimed at effectively and efficiently achieving the Millennium Development Goals and other international commitments arising from United Nations conferences, summits, conventions and human rights instruments. Through joint programming, common results and the modalities for supporting programme implementation are identified.